

Pledge of Assets

At 30th June, 2005, the following assets were pledged to secure the margin loan facilities granted to the Group:

- (i) Investments in securities with a carrying value of approximately of HK\$2,539,000 (31st December, 2004: HK\$1,527,000); and
- (ii) Bank balances and cash of approximately HK\$10,470,000 (31st December, 2004: HK\$21,264,000).

No margin loan facilities (31st December, 2004: HK\$1,371,000) was utilised by the Group at the balance sheet date.

Employees and remuneration policies

As at 30th June, 2005, the Group employed approximately 6,000 full time employees. The Group remunerates its employees by reference to the prevailing industry practice as well as individual merits. The Group has also adopted a share option scheme for its full time employees.

Foreign currency exposure

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar, with some in Renminbi and Euro Dollar. Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exchange risk exposure in this regard.

As for currencies other than Hong Kong Dollar, the Group will closely monitor their movement trends in relation to US Dollar and will engage in exchange rate hedges when necessary.

At 30th June, 2005, the Group did not use any financial instrument for hedging purposes.

SHARE OPTIONS SCHEME

A share option scheme (the "Scheme") was adopted in the Annual General Meeting held on 17th May, 2002 and will expire on 16th May, 2012. The primary purpose of the Scheme is to recognise and motivate the contribution of employees and other persons who may have a contribution to the Group and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Under the Scheme, the board of directors of the Company may offer to any employees, including full time or part time employees, of the Company and/or its subsidiaries including any executive and non-executive director or proposed executive and non-executive director of the Company or any subsidiary options to subscribe for shares in the Company in accordance with the terms of the Scheme for the consideration of HK\$1 for each lot of share options granted.

At the date of this report, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 8,000,000, representing approximately 2.57% of the shares of the Company in issue at that date.

The total number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the shares of the Company in issue as at the date of adoption of the Scheme. In addition, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year shall not exceed 1% of shares of the Company in issue, at any point at time, without prior approval from the Company's shareholder.

Options granted must remain open for acceptance until 5:00 p.m. on the 5th business day following the offer date provided that no such offer shall be open for acceptance after the tenth anniversary of the adoption date or after the Scheme has been terminated. Options may be exercised during the period as the board of directors of the Company may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of the grant of the options and the board of directors may provide restrictions on the exercise of an option during the period an option may be exercised. The exercise price is determined by the board of directors of the Company and will be at least the highest of the followings:

- a) the closing price of shares at the date of grant of a share option;
- b) the average closing price of the shares for the five business days immediately preceding the date of grant; and
- c) the nominal value of a share.

Details of the movements in the Company's share options during the year are as follows:

	Number of options outstanding at 1/1/2005	Number of options granted during the period	Number of shares issued and exercise of options during the period	Number of options outstanding at 30/6/2005	Date granted	Exercise price per share HK\$	Exercisable Period
Directors							
– Ip Siu On	–	3,000,000	–	3,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
– Tsui Yan Lee, Benjamin	–	3,000,000	–	3,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
Employees	–	4,900,000	2,900,000	2,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	<u>–</u>	<u>10,900,000</u>	<u>2,900,000</u>	<u>8,000,000</u>			
Others	1,000,000	–	–	1,000,000	05-Jun-02	0.664	05-Jul-05 to 17-May-12
	–	1,000,000	–	1,000,000	02-Feb-05	0.608	02-May-05 to 31-Dec-14
	<u>1,000,000</u>	<u>1,000,000</u>	<u>–</u>	<u>2,000,000</u>			
Grand Total	<u>1,000,000</u>	<u>11,900,000</u>	<u>2,900,000</u>	<u>10,000,000</u>			

The closing price of the Company's shares immediately before 5th June, 2002, and 2nd February, 2005, the dates of grant of the options, were HK\$0.64 and HK\$0.60 respectively.

The weighted average closing price of the shares immediately before the dates on which options were exercised was HK\$0.646.

According to the Binomial Option Pricing Model, the details of the options granted during the period under the Scheme were as follows:–

Date of grant	Number of shares issuable under options granted	Option value	Closing share price at date of grant	Risk free rate (being the yield of 10-year Exchange Fund Notes)	Expected volatility – note (i)	Expiration of the options	Expected ordinary dividend note (iii)
2nd February, 2005	11,900,000	1,951,600	HK\$0.600	3.60%	40.00%	31st December, 2014	7.50%

- (i) The volatility measured at the standard deviation of expected share price returns is based on the daily closing prices over the one year immediately preceding the date of grant.
- (ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares on the Stock Exchange.
- (iii) Expected ordinary dividend is based on 2005 prospective dividend yield of the shares as at 2nd February, 2005.

DIRECTORS' INTERESTS IN SHARES

At 30th June, 2005, the interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

(A) Long Positions in shares of the Company

Directors	Capacity	No. of shares held	Total	% of issued share capital of the Company
Mr. Poon Siu Chung	Beneficial owner Interest of spouse and controlled corporation	17,290,000 101,757,630	119,047,630 (a)	38.49
Mr. Leung Ying Wai, Charles	Interest of spouse and controlled corporation	63,097,200	63,097,200 (b)	20.40
Mr. Ip Siu On	Beneficial owner	6,803,600	6,803,600	2.20
Mr. Tsui Yan Lee, Benjamin	Beneficial owner	3,411,000	3,411,000	1.10
Mr. Ng Siu Yu, Larry	Beneficial owner	880,000	880,000	0.28

Notes:

- (a) Mr. Poon Siu Chung was the beneficial owner of 17,290,000 shares (“Shares”) of the Company and he was deemed to be interested in 101,757,630 Shares which were held through Mime Limited, a limited company incorporated in Hong Kong and owned as to 55% by Mr. Poon Siu Chung and as to 45% by his spouse, Ms. Lau Kwai Ngor. Of these shares, 618,200 shares are held in trust for others.